



1026 17th STREET, N.W., WASHINGTON 6, D. C.

HOW DO THE TRADE WINDS BLOW?

Will less competition between foreign goods and domestic products help the United States pull out of the present recession? Back in the '30s Congress said yes, this remedy would help a lot, and built a high tariff fence around our markets by enacting the Smoot-Hawley Tariff Act. What happened was a sharp falling off in U. S. exports and a deepening of the depression all over the world. Now that our exports have reached an all-time peak the high tariff treatment might be more devastating than it was in the '30s.*

In fact, decline in U. S. exports in the last two quarters of 1957 is being cited as one of the chief causes for the present recession. During the first half of the year an unprecedented boom in exports occurred—an estimated value for the year of \$19.4 billion, or 4.5 percent of our gross national product. Some extraordinary elements in this boom were: the closing of the Suez Canal and the necessity for rushing oil to Western Europe; a special government sales program, channeling our surplus cotton into the world market, and large grain exports to Europe, which had had a poor harvest in 1956. By June these three contributing factors had largely run their course.

As the year ran out dollars abroad to buy our goods became

scarcer. The excess of what we sold over what we bought—the dollar gap—became the largest in 10 years, \$6.5 billion.

MARGIN OF PROFIT

Our high export sales in 1957 helped to stabilize the rate of production in this country, taking up the slack as domestic demand for goods declined. In some industries the difference between a moderate profit for the year and a high profit was made by the percent of the product sent abroad.

For example, this was true of nonelectrical machinery, where exports of construction, excavating and mining machines became more than a third of domestic shipments in 1956 and the first three quarters of 1957. Higher exports of machine tools and metalworking machinery also provided a major support to production. Exports of motor trucks and buses were nearly one fourth of domestic sales. Railroad passenger car sales abroad were double those in the United States until the last quarter.

Manufactured cotton, cattle hides, coal, iron and steel scrap, cotton piece goods were exported in greater quantities during the first three quarters of 1957 than in 1956, while domestic demand for these products declined.

While this selling boom was going on, some U. S. trade policies were putting a strain on the good relations on which its continuance depended. Canada, our best customer, is extremely critical of our surplus wheat disposal policy. Wheat is the mainstay of the Canadian economy, while wheat exports are only a marginal part of

the U. S. economy. Venezuela as well as Canada reacted sharply to the voluntary U. S. quota limitations on oil imports. The threat of placing quotas on lead and zinc imports has brought protests from 15 member countries of the Inter-American Economic and Social Council and from Canada. Most of the Latin American countries are having a mild recession and Canada's economic ills are perhaps more serious than our own.

COTTON WEAR, TABLEWARE

Japan, buying roughly twice as much from us as she sells to us, is growing restive about the voluntary quotas on cotton textile imports to the United States which, at our urging, she agreed to accept last year. She bought \$186 million worth of raw cotton from us in the first three quarters of 1957, and sold to us \$36 million in cotton textiles, about two percent of total cotton textiles sold in the United States.

In January 1958, the Tariff Commission found, in two separate escape clause investigations, that low price stainless steel knives, forks and spoons, and inexpensive umbrella frames were causing injury to domestic firms, and recommended increased tariffs. Japan is the chief exporter of these items. The President must decide early in March whether he will accept these recommendations.

According to a story in the *New York Times* February 8, the fate of a small Japanese city, Tsubame, 150 miles north of Tokyo, depends on the President's decision in the stainless steel tableware case. Ninety percent of Japanese

*The Smoot-Hawley Tariff Act, which established the highest tariffs in our history, is still on the books. Rates have been reduced since enactment of the Trade Agreements Act of 1934 through multilateral negotiations conducted by the President under its authority. Whenever tariff reductions granted in exchange for trade advantages given us are withdrawn, the rates can and sometimes do revert to the Smoot-Hawley rates.

metal tableware is produced by the 35,000 people who live there, and 85 percent of it is shipped to the United States. The practice of U. S. importers, who find it profitable to contract with whole villages to produce for them, is responsible for this lack of diversification in the village industry. If the tariff on knives and forks goes up from 12.5 percent ad valorem (percentage of value) plus one cent, to 45 percent plus two cents, and the tariff on spoons is raised from the present 18 percent to 40 percent, as the Commission recommends, Japan will be priced out of the U. S. market.

CLOTHESPINS, SAFETY PINS

Last November the duty on spring clothespins was doubled by withdrawing a concession made in 1950. The President accepted a decision of a majority of the Tariff Commission but did not accept the absolute-quota limitation they proposed. The new tariff is 20 cents per gross instead of 10 cents. The absolute-quota remedy for the domestic industry's ills was rejected because the industry, composed of six manufacturers averaging 400 employees each, reached an all time high in 1957, and because it is competitive with plastic pins and electric clothes driers. Countries exporting spring clothespins to us include Sweden, Denmark, West Germany, Belgium, the Netherlands, Austria, Yugoslavia.

Soon after the clothespin decision was announced the Presi-

The Necessary Pushcart



St. Louis Post-Dispatch

The House Ways and Means Committee began hearings February 17 on extension of the Trade Agreements Act, which expires June 30, 1958. Mrs. Oscar M. Ruebhausen, member of the national Board of the League, testified February 24 in support of a 5-year extension; for details, see p. 3.

Proposed legislation (H.R. 10368 and three identical bills) provides for: a 5-year extension; a 25 percent tariff reduction over a 5-year period; authority to cut to 50 percent all tariffs now higher; increased authority to raise tariffs to 50 percent above the rate set in the Smoot-Hawley Tariff Act of 1930 after escape clause* investigation; widened use of the escape clause in connection with peril point* findings.

*See pp. 14 and 15 of League publication "Today's Challenge in Trade and Aid" for definitions of escape clause and peril point.

dent accepted another recommendation of a majority of the Tariff Commission to raise the tariff on safety pins from 22.5 percent to 35 percent. Safety pin production is only one part of the manufacturing industry conducted by the four companies who petitioned for relief. No injury was claimed for other segments of their business. Chief exporters of safety pins are the United Kingdom and West Germany.

The President was under great pressures from members of Congress to act favorably to their constituents in both the clothespin and safety pin cases. Senator Flanders (R., Vt.) warned the President that a refusal of protection for the clothespin industry would hurt the chances of renewing the Trade Agreements Act this year.

Since 1949, when the escape clause was written into the Trade Agreements Act, 87 applications for relief have been filed with the Tariff Commission. The Commission has recommended relief in 23 cases. The President has accepted the Commission's recommendation for higher tariffs or quotas only nine times. But the threat of escape clause action is always present if a foreign competitor is too successful in establishing a market here. It makes for instability and throws doubt on the sincerity of our intentions to promote trade.

Pending before the Commission now are investigations of clinical thermometers, garlic, lead and zinc, Wilton and velvet carpets, and fine mesh wire cloth.

WOOLENS, NATIONAL DEFENSE

Foreign producers — principally in England, Ireland and Scotland — and domestic users of imported woolen fabrics were plagued with an uncertain quota limitation during the year. The quota was uncertain because an increase in the duty from 25 percent to 45 percent was to go into effect when annual imports exceeded five percent (by weight in pounds) of U. S. production. This quota was proclaimed by the President last May when he invoked a U. S. reservation to a trade concession granted at Geneva in 1947. The quota was filled on July 25 and further woolen imports had to pay the 45 percent ad valorem duty. Because the increased duty adds materially to the cost of imported goods, American users find it difficult to estimate costs and price products.

The Office of Defense Mobilization is investigating whether imports of jeweled watches, clocks, pin-lever watches and timers, fine mesh wire cloth, analytical balances, and clinical thermometers are coming into the country in such quantities as to impair our national security, i.e. whether the domestic producers of these commodities should be protected from imports because they are essential to our defense effort.

However, if commodity after commodity finds a means of constructing a wall of protection around itself, thus cutting off segments of world trade, extensions of the Trade Agreements Act may turn out to be meaningless.

Since the above article was written:

The Tariff Commission has recommended that tariffs on clinical thermometers be increased to the rate set by the 1930 Tariff Act. The Commission said these imports were coming into this country in such quantity as to threaten domestic industry.

The Office of Defense Mobilization has denied protection to domestic producers of jeweled and pin-lever watches on the grounds that imports do not present a threat to national security since "new weapons and changed concepts have greatly reduced current military mobilization requirements for jeweled timepieces and timing devices."

KEEPING UP WITH LEAGUE PROGRAM

LOYALTY - SECURITY: League members now have their first opportunity to act in support of the League position on loyalty-security.

S. 1411 as amended, now awaiting action by the House, would extend the federal loyalty-security program to cover all government employees whether in sensitive or nonsensitive positions. This legislation clearly runs counter to the League position that the programs should be limited to sensitive positions.

As passed by the Senate, S. 1411 had just one provision—to permit employees charged as loyalty or security risks to remain on the job pending final determination (i.e., to make summary suspension discretionary rather than mandatory).

The House Post Office and Civil Service Committee reported out S. 1411 last summer in a completely rewritten form, incorporating provisions of H.R. 981, introduced by Rep. Walter (D., Pa.). The Walter bill would reverse the Supreme Court's 1956 *Cole v. Young* decision (which in effect limited the program to sensitive positions) by re-extending coverage to all government employees, deeming all to be employed in "an activity of the government involving national security."

If the House passes S. 1411 as amended, it would either be referred to a conference committee or, since the Senate did not consider it in its present form, be referred back to the Senate Post Office and Civil Service Committee.

A letter to your Representative opposing S. 1411 as amended, is important at this time because this bill may well pass the House by default.

WATER: A 3-day conference (February 19-21) was called by U. S. Surgeon General Leroy Burney, to discuss stream pollution problems. Nearly 100 administrators representing most of the state and territorial personnel responsible for state and interstate water pollution control attended the conference, held in Washington, D. C.—the first of its kind sponsored by federal officials.

During the conference Assistant Surgeon General Mark Hollis deplored "outdated methodology" in the current approach to the problem and said: "The total water pollution problem facing us today is much more formidable and certainly more complex than the situation prior to World War II. The outstanding work accomplished in pollution abatement simply has been outdistanced by the speed of progress and the development of new problems."

The Mayor of Independence, Missouri, asked for an increase in federal aid for construction of sewage treatment plants of from \$50 million to \$100 million annually. He urged, too, that the 1956 federal Water Pollution Control Act be amended to allow governmental units within sprawling metropolitan areas to pool federal grants for construction of joint sewage treatment facilities.

Dr. Thomas Parran, former Surgeon General, also called upon Congress to expand federal programs for controlling water pollution.

FOREIGN AID: During February, the Export-Import Bank and the Development Loan Fund negotiated details of a \$225 million loan to India. There is still some question whether this sum will be adequate in helping India meet its deficit in financing the "core" of its Second 5-Year Plan.

On February 19, the President sent to Congress his foreign aid program and Senators Green (D., R. I.) and Wiley (R., Wis.) introduced the 1958 Mutual Security Bill (S. 3318). The program calls for \$3.9 billion in all forms of aid (military assistance, defense support, special assistance, development loan fund, technical cooperation, contingency fund, other programs). The program faces intense opposition in Congress and there may be heavy cuts in authorizations, particularly for economic aid.

A major attempt to rally public support was initiated by leaders of both parties at a nonpartisan conference on foreign aspects of U. S. national security February 25. Several members of the na-

tional Board of the League attended this conference.

Recommended reading: *The Progressive*, January 1958, Senator Kennedy (D., Mass.), "If India Falls" (free reprints from the Senator's office); *New York Times* magazine section, February 23, 1958, Barbara Ward, "The Great Challenge Is Not the Sputniks."

TRADE: The legislative battle over trade, now joined in Congress, may go on through the spring and summer months. Since the League has declared all-out support for a liberal trade policy, League effort must be consistent and continuing. Mrs. Oscar M. Ruebhausen told the House Ways and Means Committee February 24:

"The League of Women Voters rejects the philosophy of fear and creeping protectionism. To encourage expanding and prosperous trade we support renewal of the Trade Agreements Act with the following provisions: 1) extension of the Act for five or more years; 2) retention in the executive branch of final decisions on escape clause findings; 3) a narrowing rather than a broadening of the escape clause; 4) support of the General Agreement on Tariffs and Trade (GATT) and the Organization for Trade Cooperation (OTC)."

The February issue of THE NATIONAL VOTER was an experiment with format. So far, member reaction is favorable. Decision as to future format will be determined by the budget adopted by Convention. Meanwhile the current budget necessitates return to the old format.

TO NATIONAL BOARD

Mrs. Luigi Petrullo of Arlington, Virginia, was appointed to the national Board February 7. A native of Georgia, she has lived in Arlington since 1940, joined the League there in 1946 . . . served local League in various capacities, was first vice president 1949-50, now second vice president . . . chairman of state Nominating Committee 1953-54, on state League Board 1954-56 . . . B.S. in education, Georgia State College for Women, M.A. Emory University . . . taught high school . . . administrative work at Emory, Winthrop College, Antioch College . . . in Washington, D. C., 1934-42, one year with federal government, two years as assistant editor and five as editor, Brookings Institution . . . husband is psychologist with Office of Naval Research, Washington, D. C.



FROM THE MEMBER'S DESK

Yes—no—maybe so—ranged reactions to the letters written by two average League members about the program-making process and published by THE NATIONAL VOTER in the January issue. Excerpts from typical letters appear below.

I find myself in agreement with N. W. of Indiana with reference to "Can Spring Be Far Behind?"

At the beginning of our meeting we brought up seven subjects, from which we selected four. Then a lull came while members silently sought more ideas. The silence was a cue for one member to produce the "helpful" article. It is my belief that we spent more time on it than on original suggestions and I think that was unfortunate.

T. Z. G. (California)

I especially liked "Can Spring Be Far Behind?" I disagree completely with N. W. of Indiana.

Of course the local Leagues need some leadership from the national Board. National is in close touch with the great issues confronting us; its main business is

the study of those issues so that it can supply League members with food for thought. If everything really started in units, the situation might be chaotic. If we had no leadership we would spread ourselves too thin.

M. H. (Connecticut)

Some members, like N. W. of Indiana, don't need or want suggestions or guidance from the Board. The League, in my experience, is grateful to them for their independent ideas. But many of us are like E. W. of Ohio: we appreciate suggestions, even from the national Board! We respond to them in a more or less independent way, according to how much time, activity, thought and creativity we can give. I don't see how N. W. can lose by this process.

S. S. (California)

THE VERY IDEA!

DOWN TO EARTH—That's the name suggested by the League of Women Voters of South Euclid, Ohio, for the push on trade. This League's bulletin went to to say:

"There's a good chance that foreign aid, trade agreements, and other similar down-to-earth plans for peace will be pushed aside in the scramble to breathe the heady vapors of outer space . . . Does anybody remember what 'satellite' used to mean? Apparently the Soviets haven't forgotten. They are busy making both kinds . . . In a Congress facing an election, it will be hard to get action for building long-range defenses (other than ICBM) which cost money without making a loud bang. We're going to have to work in 1958, exhorting our fellow citizens to look ahead in time as well as in space. *Somehow* we're going to have to find a way to bring world trade and economic aid to the front page. *Somehow* a down-to-earth campaign is going to have to be as jet-propelled as any rocket. *Somehow* it is going to have to succeed."

WELTVERSTAENDIGUNG durch welthandel — That's German for "world trade creates world understanding," and it was heard on the

radio in Little Rock. Next it came over the air in Spanish. Then a voice began speaking in Japanese. Whereupon the announcer said "Don't tell me *that* means 'world trade creates world understanding'" and the answer was (in English) "No, that was the alphabet, but it's as basic as a-b-c that world trade *does* create world understanding."

This was one of seven spot announcements recorded by the Little Rock League of Women Voters and used intensively by eight radio stations. Another, in language that every Little Rocker could understand, said: "Faraway places with strange sounding names . . . They're not so far away any more. Bicycles, aluminum, children's toys—all are made in the Little Rock area and are exported to foreign countries."

FOOD FOR THOUGHT they called it in Oak Lawn, Illinois; it was the annual buffet supper for prospective members. Each booth featured a single food and a single program subject, and members had five minutes to explain a program item while prospects munched or sipped items of food. "Education" (state and local item) served apples for the teacher.

"Judicial" (a state item) served courthouse cake. "Water" served—water! We don't know what they ate when they got there, but those who followed the large cut-out footprints from the front door found copies of "Just Suppose . . . you were in the other fellow's shoes" when they reached the "Loyalty-Security" booth.

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THE NATIONAL VOTER

Vol. VII March, 1958 No. 12

Published monthly by the League of Women Voters of the United States.

1026 17th Street, N. W.,
Washington 6, D. C.

MRS. JOHN G. LEE, President
DOROTHY FELKER GIRTON, Editor
Entered as second class matter, April 9, 1961, at the Post Office, Washington, D. C., under the act of March 3, 1879.

Subscriptions: \$1.00 per year.
Single copy: 10 cents.
(Quantity prices on request.)

PRINTED BY MERCURY PRESS

